3 Safe TSX Stocks That Have Thrashed the S&P 500 in the Last Decade

Description

Many Canadian stocks outperformed the U.S. broad market index in the last decade. But only a few of them offer stability and long-term growth prospects. Let's discuss three safe **TSX** stocks that notably outperformed the **S&P 500** in the last 10 years.

Algonquin Power & Utilities versus the S&P 500

Algonquin Power (TSX:AQN)(NYSE:AQN) is an $11 billion utility and renewables company with operations spread across North America. It acquires and runs clean energy assets and also operates water, gas, and electricity distribution businesses.

The stock has returned more than 600%, including dividends, in the last 10 years. In the same period, the S&P 500 returned approximately 250%.

Utilities are generally slow-growing companies and pay secured dividends. Algonquin pays stable dividends but, interestingly, also has a growth tilt. Its above-average earnings growth fueled its stock in all these years.

To put this in perspective, **Fortis** and **Canadian Utilities**, leading utility stocks in Canada, returned 98% and 163% in the last decade, respectively, notably underperforming Algonquin.

Algonquin stock yields 4.5% at the moment, higher than TSX stocks at large. Its long-term earnings and dividend stability make it a safe bet in the current uncertain times.

Dollarama

Dollarama (TSX:DOL) has returned almost 1,200% in the last 10 years, outperforming the S&P 500 by a wide margin.

The dollar store operator has been able to generate superior earnings, mainly due to its widespread presence in the country. A $16.5 billion company operates more than 1,300 stores in Canada. Low-cost retailers like Dollarama offer high value during economic uncertainties amid lower disposable incomes.

Dollarama's value proposition and wide presence will play a big role in its long-term growth. It owns a 50.1% interest in Latin American value retailer Dollarcity. Aggressive geographical expansion of Dollarcity stores should bring a more visible top-line growth to the retailer.

Dollarama stock has soared 20% so far in 2020 and is currently trading at its 30-month high. Notably, it looks overvalued after this rally, and defensive investors could wait for a pullback.

Canadian Pacific Railway

Canadian Pacific Railway (TSX:CP)(NYSE:CP) is the country's second-biggest company in the rail freight space behind **Canadian National Railway**. CP stock returned 650% in the last 10 years, notably beating the CNR stock.

Its operational efficiency, unique network, and earnings stability make it a solid pick for long-term investors. CP Rail has demonstrated a superior revenue growth compared to peer CN Rail in the last few years.

It also beat CNR on the earnings front in the long term. Canadian Pacific's earnings grew 11% compounded annually, while CNR managed to grow its profits by 4% compounded annually in the last 10 years.

Interestingly, CP Rail stock is up almost 20% this year and does not look exorbitantly overvalued.

These three TSX stocks have notably outperformed the S&P 500 in the last 10 years. Importantly, what they have in common is the earnings stability. Their solid nature of business will generate stable earnings and will likely continue to outperform in the longer term.

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